

# STATE OF MICHIGAN

## INSTRUCTIONS FOR PREPARATION OF APPLICATION FOR FINAL QUALIFICATION OF BONDS (FORM 3451)

School Bond Loan Program  
Office of Cash & Debt Management  
Michigan Department of Treasury  
P.O. Box 15128  
Lansing, Michigan 48901

Telephone: 517-335-1001  
Fax: 517-241-1233  
Deaf, hearing or speech impaired (TTY): 517-373-9419

Web page: <http://www.michigan.gov/treasury>  
~click on "Public Institutions"  
~click on "School Districts"  
~click on "School Bond Loan Program"

or

[http://www.michigan.gov/treasury/1,1607,7-121-1751\\_2217\\_3830---,00.html](http://www.michigan.gov/treasury/1,1607,7-121-1751_2217_3830---,00.html)

December 2002

**Application for Final Qualification of Bonds**  
**INSTRUCTIONS FOR PREPARATION**

The following options are available for completion of this form:

1. Final Qualification Application Form 3451 (12-2002) available on the School Bond Loan Program web site in acrobat format.
2. Substitute form generated from the preparer's computer software and printer.

\* Substitute forms are allowable provided that the substitute form follows the **exact text and format**, word for word, line for line, of the official form.

\* The substitute form must contain the following amended form reference in the upper left corner:

Substitute Form 3451 (12-2002)  
Transcribed by {firm name}

All substitute forms must meet these requirements. **The Department reserves the right to require the refiling of any forms that do not meet these requirements.**

Form 3451 (paper or Microsoft Word version) may be obtained by contacting:

School Bond Loan Program  
Office of Cash & Debt Management  
Michigan Department of Treasury

Telephone: (517) 335-1001  
Fax: (517) 241-1233  
E-mail: [simonk1@michigan.gov](mailto:simonk1@michigan.gov)

Mailing Address  
P.O. Box 15128  
Lansing, Michigan 48901

Overnight Delivery Address  
430 Allegan Street  
Lansing, Michigan 48922

## **INSTRUCTIONS FOR PROCESSING**

1. In order to receive qualification a bond issue must conform with the provisions of Act No. 108, Public Acts of 1961, as amended. These instructions provide a brief recap of the general requirements for qualification of bonds by the State Treasurer. Further information on this act and other information pertaining to the qualification of bonds is contained in *Bulletin No. 3160, Michigan School Bond Loan Program, Bond Qualification Process*. Copies of this bulletin may be obtained from the School Bond Loan Program web page.
2. The application should be completed using the following instructions as well as any further clarifications that have been issued by the Department of Treasury. Attach to the application any additional statements and information which will help to explain any part of the application. Refer to the following *Procedural* section on page 4 for a checklist of forms and attachments required for final qualification of bonds.
3. The district's professional consultants and/or administration should complete all information items contained on the official Application for Final Qualification of Bonds prior to considering the application at a public school board meeting.
4. The local board of education should conduct a careful final review of the information contained in the application and the requirements being agreed to before voting on a resolution to apply for final qualification.
5. After approval, the board member attendance and voting record should be recorded and the application should be certified by the board secretary.
6. Send a completed original application packet to the school district's bond counsel for their review and submission to the Michigan Department of Treasury.
7. Allow no less than 10 business days from the time the application is delivered to the Department of Treasury for processing of routine final qualification requests. Allow additional processing time for special circumstances such as:
  - Variable interest rate bonds
  - School building and site bonds that are being issued in series
  - Refunding bonds for non-qualified debt
  - Other unique circumstances
8. Refer any questions regarding the completion of this application to the Department of Treasury School Bond Loan Program Section.

## **INSTRUCTIONS FOR COMPLETION**

Page 1

Application Number: Obtain from Department of Treasury. If unavailable, leave blank.

School District: Enter the legal name of the school district, the county in which the district is located for reporting purposes, and the mailing address of the Board of Education office.

Person Responsible for Preparation: Enter the administrator responsible for coordinating the preparation of the application. Ordinarily it will be the superintendent of schools but may be some other member of his/her staff.

Certificate: Check the appropriate box (“regular” or “special”) as to the type of school board meeting held and strike out meeting type that does not apply.

Enter the names for those professional consultant firms participating in this qualified bond issue.

Signature of Secretary: Should be signed after resolution is passed by the Board of Education.

Indicate if bond sale will be competitive bid or negotiated sale.

Resolution: Enter in requested information.

Page 2

Type of Bond Issue: For Sections (1) and (3): Check the appropriate box.

Page 3

Board Member Vote: Enter board member names next to appropriate designation (Aye/Nay).

Page 4

Purpose: Specify the purpose of the bond issue exactly as stated on the ballot and as it is to be cited on the official Certificate of Qualification. Attachment is permissible if clearly marked as an official copy.

Election Data: Self-explanatory.

Final Maturity Schedule: Complete summary information. Attach tables as necessary to document financial information requirements. (Refer to the *Procedural* section on page 4).

Debt Amounts: Self-explanatory.

Property Valuations: Self-explanatory.

Municipal Finance Approval: Indicate the status and fiscal year of Municipal Finance approval. If “Qualified” status has not been received, attach a copy of the Municipal Finance Approval Letter that states the district may proceed with the proposed bond issue.

Any Changes: Document any significant changes in the financial structure that have occurred since preliminary qualification. These can consist of bond maturity amounts, interest rates, taxable valuation, bond term length, school bond loan borrowing, etc.

For refunding bonds, summarize the overall changes in maturity structure.

## **REQUIREMENTS FOR FINAL QUALIFICATION**

### **General**

1. Qualified bonds may be issued for a maximum period of 30 years.
2. Qualified bonds must be issued for minimum periods based on the ratio of debt to state equalized valuation as follows:

If DEBT/SEV Ratio is < 4%.....	10 Years
If DEBT/SEV Ratio is >4% BUT < 7% .....	15 Years*
If DEBT/SEV Ratio is > 7% BUT < 12% .....	25 Years*
If DEBT/SEV Ratio is > 12%.....	29 Years*
If DEBT/SEV Ratio is > 12%. The first 10 annual principal payments must not exceed 25% of the total bond issue.*	

3. The yearly principal maturity date must not be less than 5 months after the major part of property taxes become due.
4. Amount of principal maturing in any one year must not be less than in any prior year.\*
5. Debt amortization schedule must provide for repayment to the school bond loan fund within 60 months of final bond maturity and project no more than a 13 mill local debt service levy in any one year.
6. The projects are within reasonable standards of cost.
7. There exists a need for the project based upon current and projected future enrollment.
8. If the bond issue requires an election, the issue must be given preliminary qualification prior to the official action of a local board of education calling for the election on the bond proposal.
9. For refunding bonds: The net present value of the principal and interest to be paid on the refunding bonds, excluding the cost of issuance, must be less than the net present value of the principal and interest to be paid on the bonds being refunded.

*\*Variance from these requirements may be obtained through approval of a waiver if it can be demonstrated that the alternative is financially beneficial to the state or to the school district.*

### **Procedural**

1. Completion of an Application for Final Qualification of Bonds

All information requested, except for attendance and resolution voting record should be completed prior to the board resolution to apply for final qualification of bonds. After the board resolution has been passed, attendance and voting information should be completed, and the application certificate should be dated and signed by the Secretary of the Board of Education.

2. Submission of supporting documentation:

- Cover letter from legal counsel indicating requested approval date and delivery date (if known)
- Certified canvass of votes cast
- Updated financial table(s) indicating:
  - Debt service schedule showing rates, taxable value and growth assumptions
  - Estimated annual millage requirements
  - Estimated annual school bond loan fund borrowing, repayment and balance
- Authorizing resolution and sales resolution (if available)
- Preliminary Official Statement or Official Statement if available
- Municipal Finance Division approval
  - Copy of the Order of Approval or Order Providing Exception
  - Copy of Waiver Approvals under Municipal Finance Act, if applicable
- Application for waiver under School Bond Loan Act, if applicable.

3. Refunding bond issue:

Refunding bond issues require the following additional information:

- Additional financial schedules which document net present value savings of the refunding bond issue
- Draft verification report of mathematical accuracy of the refunding tables, prepared by an independent source

## QUALIFICATION FEE SCHEDULE

Effective January 18, 1999

Act No. 108 of the Public Acts of 1961, as amended (MCL 388.961) provides that school districts whose bonds are qualified by the State Treasurer shall pay a fee for such qualification. The fee to be charged is based on the amount of the qualified bond issue. A \$3,000 base fee shall be charged on each qualified school bond issue plus an additional \$100 for each \$1 million increment in bond principal over \$5,000,000. An invoice will be provided to the school district by the Department of Treasury. Fees become due within 30 days of the sale of bonds that have received qualification.

Amount of Issue		Fee
\$0 -	\$5,999,999	\$3,000
\$6,000,000 -	\$6,999,999	\$3,100
\$7,000,000 -	\$7,999,999	\$3,200
\$8,000,000 -	\$8,999,999	\$3,300
\$9,000,000 -	\$9,999,999	\$3,400
\$10,000,000 -	\$10,999,999	\$3,500
\$11,000,000 -	\$11,999,999	\$3,600
\$12,000,000 -	\$12,999,999	\$3,700
\$13,000,000 -	\$13,999,999	\$3,800
\$14,000,000 -	\$14,999,999	\$3,900

\$94,000,000 -	\$94,999,999	\$11,900
\$95,000,000 -	\$95,999,999	\$12,000
\$96,000,000 -	\$96,999,999	\$12,100
\$97,000,000 -	\$97,999,999	\$12,200
\$98,000,000 -	\$98,999,999	\$12,300
\$99,000,000 -	\$99,999,999	\$12,400
\$100,000,000 -	\$100,999,999	\$12,500
Each \$1 million increment		+ \$100

(Partial Listing of Fee Schedule)

For a more complete schedule, please refer to the School Bond Loan Program web site at:

[http://www.michigan.gov/documents/QualFeeSchedule020812\\_38481\\_7.pdf](http://www.michigan.gov/documents/QualFeeSchedule020812_38481_7.pdf)